

**TOP SECRET**

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**NATIONAL FOREIGN INTELLIGENCE BOARD**

Memorandum for Holders-1  
NFIB-6.1/11  
9 January 1979

MEMORANDUM FOR NFIB PRINCIPALS

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FROM:

[redacted]  
Deputy to the DCI for Resource Management

SUBJECT: DCI Work on the Annual Report [redacted]

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1. The DCI has reached the point in his reactions to Annual Report drafts and discussion that his own thinking about the highlights, successes and challenges of 1978 in intelligence has crystallized, considerably assisted in that process by the thoughtful input and review that you and your staffs have put into the project. He has dictated his own thoughts; these are attached. My staff has tried hastily to edit out an occasional inaccuracy or infelicity, but the draft would benefit from your review for accuracy (including the classification of individual paragraphs), and for any notes struck which may inadvertently be inappropriate in an Annual Report context. [redacted]

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2. The DCI is also very concerned about the length of the 5 January draft you now have for review. He wants the Annual Report to be short and crisp enough that our most important Executive and Congressional readers will actually read it. [redacted]

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3. He, therefore, proposes to substitute his attached capsule of the year for the present Part I. He also feels that the discussion in Part II of selected key issues of concern does some worthwhile educational work on these complex matters for Executive and Congressional audiences involved in monitoring and approving the Intelligence Community's work. He, therefore, proposes to shorten the Part II discussions somewhat but forward them as part of his Annual Report as well. [redacted]

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4. Finally, he proposes to do an unclassified version of this attached precis of the year as he sees it. That looks to me fairly easy to accomplish; my staff will within the next few weeks be circulating a draft unclassified version for your review. [redacted]

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5. Meanwhile, the 25 January Congressional deadline for the DCI's Annual Report remains. I would, therefore, very much appreciate your endeavoring to react to the DCI's short draft by Monday, 15 January. My staff point of contact is [REDACTED]

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6. I would like to add my own thanks to the DCI's for the quality and responsiveness of the Community's contributions to the Annual Report. effort. [REDACTED]

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Attachment:

[REDACTED]

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WORKING COPY/REVISED  
9 JANUARY 1979

DCI'S ANNUAL REPORT

THE YEAR 1978 IN RETROSPECT

IMPLEMENTATION OF THE NEW EXECUTIVE ORDER

1978 was a year in which organizational change began to have an impact for improvement in the United States Intelligence Community. After almost a year of study and debate in 1977, the President issued a new Executive Order (E.O. 12036) governing the organization and conduct of intelligence on 24 January 1978. Six aspects of this new Order deserve particular attention because of the impact they have already had on the process of intelligence in our country.

Priorities

The cornerstone of a good intelligence operation is that it satisfies the needs of its consumers, both by fulfilling the needs which they have today and by preparing for needs which they will most likely have tomorrow. By various means and with varying degrees of success

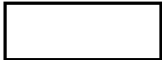
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over the years, the American Intelligence Community has attempted to solicit the views of its consumers to what their needs were, but more often than not it was, in effect, the Intelligence Community itself that had the major say in the setting of its own priorities. The new Executive Order established a committee of the National Security Council, the Policy Review Committee on Intelligence (PRC[I]), composed of the Vice President, the Secretary of State, the Secretary of Treasury, the Secretary of Defense, the Assistant to the President for National Security Affairs, the Chairman of the Joint Chiefs of Staff, and the Director of Central Intelligence, with the latter acting as Chairman. In August the PRC(I) produced two lists of National Intelligence Topics (NITs). One comprised subjects which the members of the committee believed would be of import to them in the near term (6-9 months). There were a total of 62 of these topics, specific points of emphasis in seven key areas. Additionally, the committee produced a second list of 42 specific topics in seven general areas which it considered to be of longer term concern. The import of these topics was rather more than the Key Intelligence Questions which they, in effect, replaced because the users of intelligence participated in their formulation and because they will provide more detailed, specific guidance to both the producers and the collectors of intelligence.

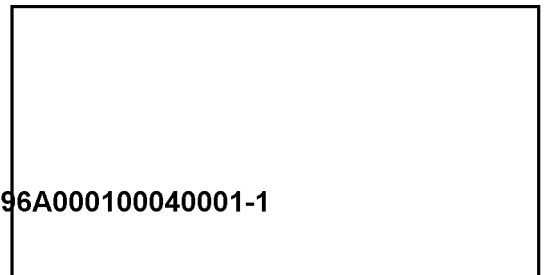
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The producers, led by the Director of the National Foreign Assessment Center, have taken each National Intelligence Topic and analyzed what work was being done that would partially fulfill the need and what else needed to be undertaken. Producers throughout the Intelligence Community have accepted a share in the additional effort. Since all producers have more tasks than they can normally accomplish effectively, some of which are levied by departmental requirements, frankly there is difficulty in obtaining the necessary redirection of effort to ensure satisfaction of the National Intelligence Topic requirements. At the same time, this initial adjustment has created a greater perturbation to the system than will subsequent iterations.



On the collection side of intelligence, the Collection Tasking Staff is utilizing the NITs to adjust the priorities of the Community for collection of intelligence, including adjustment of the Director of Central Intelligence Directive 1/2 (DCID 1/2)--an Intelligence Community validated matrix of collection priorities by topics and countries--to follow the NITs and their PRC(I) assigned priorities. 

In sum, the process of involving the top consumers in the establishment of priorities is off to a good start. Periodic updatings are called for every four months. The first one in December was, again frankly, not very successful but it was both



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a new process and a particularly busy season for intelligence in substantive international developments and in program and budget development. Our challenge will be to ensure that the same high-level attention given to the NITs last August persists in the future, so that the topics do represent the needs of the consumers and not the estimates of the Intelligence Community as to what those needs are.

Budget Preparation

A second major provision of the new Executive Order is that the Director of Central Intelligence (DCI) "...shall, to the extent consistent with applicable law, have full and exclusive authority for approval of the National Foreign Intelligence Program budget submitted to the President." Previously, the DCI had been chairman of a committee that established the National Foreign Intelligence Program budget by consensus trading. The new arrangement in its first full year of operation has, in my opinion, already made it easier to define the national intelligence goals which should drive the budget, and made it possible to establish priorities among budget items to guide the integration of the submissions of the several program managers rather than simply interleaving them on an equal basis. The new process also makes it easier to surface objective, analytical comparisons between competing or overlapping

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programs as a check that my judgment of appropriate priorities is not skewed from that which would best serve the country. The PRC(I) on three occasions during this past year reviewed the budget in preparation and after its submission to the President; the PRC(I) was free to make separate recommendations to the President if members did not concur in the structure of the budget. In this instance the PRC(I) did not dissent from the budget I submitted. Its advice in the preparatory sessions was, however, of great value. I believe this new process of budget preparation went well in its first experience. [ ]

#### Intelligence Collection

A third highlight of the new Executive Order is its establishment of a National Intelligence Tasking Center (NITC) under the DCI to coordinate and task all national foreign intelligence collection activities. The profusion of new and more esoteric technical means of collecting intelligence over the last decade has generated a need to ensure that we are applying the best collection techniques to each problem, that we are not duplicating efforts unnecessarily, and that we are not inadvertently missing important opportunities to collect information because one collection system assumes that another is doing it. [ ]

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disciplines. The task of the NITC is to ensure that we maximize return while minimizing cost and risk through the best application of systems from all three disciplines. It is not the task of the NITC to determine how individual collection systems shall be employed, but rather to determine which ones are best utilized in pursuit of any given intelligence topic.

By the close of the Congressional session in October, the Congress had authorized the establishment of a Deputy Director for Collection Tasking who would take over responsibility for the three collection committees and establish the National Intelligence Tasking Center to coordinate their efforts. This action, in effect, divided what had been known as the Intelligence Community Staff into two completely separate segments: a Deputy for Resource Management who supports the DCI's responsibility for preparation of the national intelligence program and budget, and a Deputy for Collection Tasking who manages the operations of the NITC. It is far too early to judge

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the success of the NITC concept, but it appears to me to be off to a good start and filling an important void. 

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Production of Intelligence

The new Executive Order charges the DCI with the responsibility for the production and dissemination of national foreign intelligence and at the same time cautions him to "...ensure that diverse points of view are considered fully and that differences of judgment within the Intelligence Community are brought to the attention of national policymakers." Importantly, this directive clearly leaves the production agencies of the Defense Department, the State Department, the Treasury Department and the CIA independent, competitive and intact, and ensures that when they have different viewpoints, those viewpoints shall not be stifled. We have attempted to reaffirm this latter point in several ways. The National Foreign Intelligence Board, on which all of the principal agencies of the Intelligence Community are represented, reviews and discusses every major national intelligence estimate. On such occasion, members of the Board have a clear opportunity and responsibility to ensure that the DCI is aware of any divergent views which they may believe are not adequately represented in the text of the estimate. I have also directed that "footnotes" expressing dissenting views routinely be moved up and into the text itself. It is my strong desire that when a differing opinion is worthy of note it should be placed directly in juxtaposition

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with the major opinion to better enable the reader to understand the difference and to pass his own judgment. Beyond this, the Director of the National Foreign Assessment Center has created a high-level Review Panel composed of three senior, independent and distinguished professionals from the fields of diplomacy, the military, and economics. This Panel is empowered to review the product of the Intelligence Community in process and upon completion. It is only empowered to make suggestions to the Director of the National Foreign Assessment Center and myself, not to participate in the process of developing the estimates, thereby becoming less than fully objective as to their quality.

Counterintelligence

The Executive Order provides that another committee of the National Security Council, the Special Coordination Committee, chaired by the Assistant to the President for National Security Affairs, and composed of the Secretary of State, Secretary of Defense, the Attorney General, the Director of the Office of Management and Budget, the Chairman of the Joint Chiefs of Staff, the Director of Central Intelligence, and the Director of the Federal Bureau of Investigation, "...shall develop policy with respect to the conduct of counterintelligence activities," resolve interagency differences, monitor counterintelligence activities, and provide the President with an overall annual assessment of them. The activities of this committee have already

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generated renewed attention to the counterintelligence function, [REDACTED]

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Beyond that,

I am very pleased to report that under this stimulus there has been a revitalization of the necessary linkage between FBI and CIA counterintelligence activities. Specific new coordinating mechanisms have been established between these two agencies, the exchange of data on counterintelligence between them has been greatly expanded, and there is a greatly increased periodicity of consultation between them ranging from the level of the Directors downward. In sum, the counterintelligence function is receiving much needed additional attention today. [REDACTED]

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Restrictions

One whole section of the new Executive Order established restrictions on various intelligence activities, particularly those which protect the rights of American citizens. These restrictions are an extension and clarification of those enumerated in the previous Executive Order (E.O. 11905, 15 February 1976). They and the entire Executive Order were developed in close consultation with the Senate Select Committee on Intelligence (the corresponding committee of the House not having been in being during most of the formative period), thus establishing a new degree of cooperation in intelligence between these two branches of our government. The same cooperation has been extended in the opposite direction throughout 1978 as the Senate

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Select Committee on Intelligence developed and had hearings on a legislative charter for the Intelligence Community. They are very hopeful that this will enable us to have charters and an Executive Order which will closely dovetail with each other.

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RELATIONS WITH THE CONGRESS, THE EXECUTIVE AND THE PUBLIC

Another important area of evolution in our intelligence activities in 1978 has been in the relationships between the Intelligence Community and the Congress, the other agencies of the other departments and agencies of the Executive Branch, and the public.

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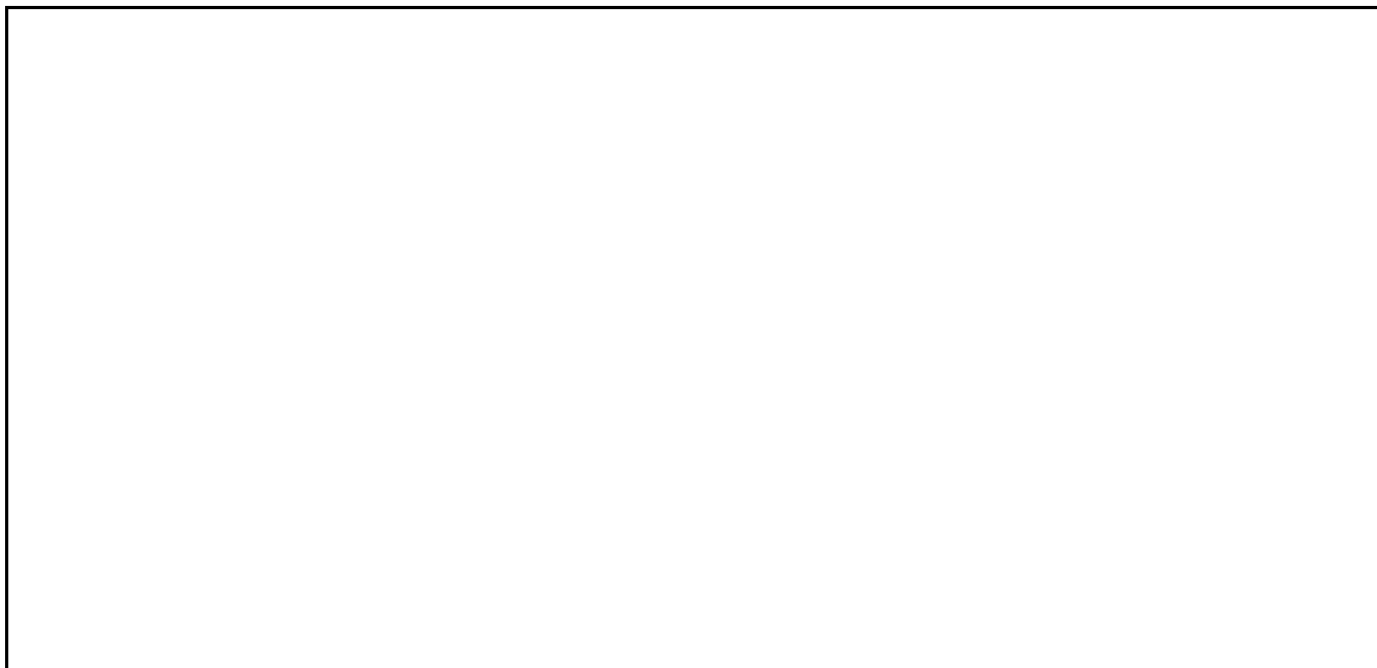
The Congress

1978 was the second full year of oversight by the Senate Select Committee and the first full year by the House Permanent Select Committee. With this relative newness there have been many procedures and relationships to be worked out. From the point of view of the Intelligence Community, strong and cooperative relationships have been established with both committees. In both the Senate and the House, we have had the first authorization bills for intelligence. In the process of reviewing our budget, both committees, as well as the Appropriations Committees, have made substantial contributions. For instance, the questioning of the committees about a proposed

system and their requirement for specific follow-on reports as to its capabilities and alternatives has led to a major restructuring of that program with potential savings

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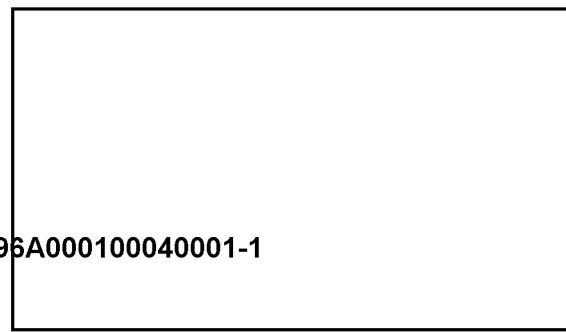
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The relationship between the Community and the two Select Committees is still fundamentally one of oversight, of course. In 1978, I appeared before the two committees a total of \_\_\_\_ times to account for other than budgetary matters. There were approximately \_\_\_\_ other hearings at which other representatives of the Community testified. Additionally, I received a total of \_\_\_\_ letters from the two Committees requesting written explanations of various actual or alleged intelligence activities; subcommittees investigated and wrote reports on \_\_\_\_ activities; and staff members conducted approximately \_\_\_\_ investigations of various aspects of intelligence. From my perspective, the benefits of this oversight process more than counterbalanced the cost of the effort required. Accountability is an essential element of the effective execution of delicate

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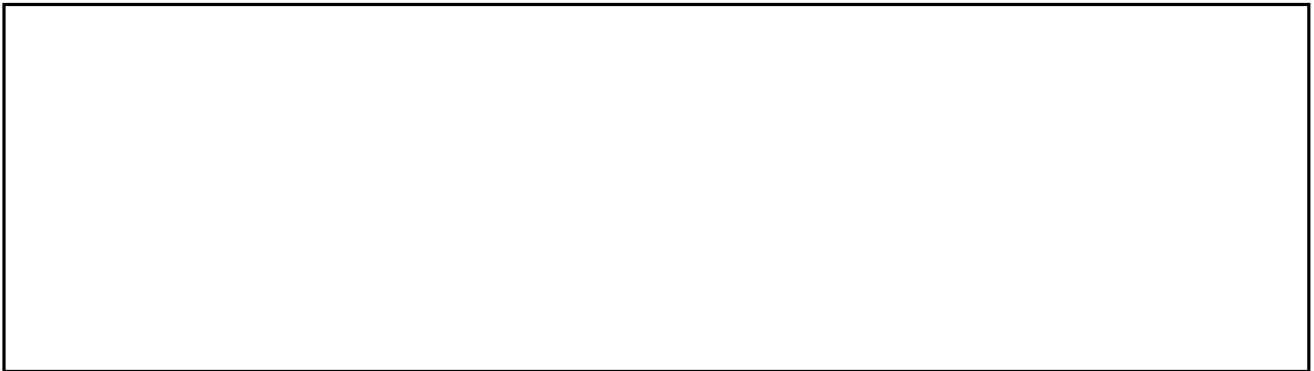
responsibilities such as are entrusted to us in the Intelligence Community. The added and more external accountability of reporting to the Congress keeps us particularly on our toes.

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The Executive Branch

We have this past year made a number of efforts to provide more complete service to those Cabinet Officers such as Commerce, Treasury and Energy who are not as fully involved in intelligence matters as are Defense and State. With respect to the State Department, I can report better coordination and teamwork than ever

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The Public

An overall policy of greater openness with the American public is paying dividends in terms of restoration of deserved confidence in our intelligence operations. This openness serves in a number of ways. One is the more frequent publication of analyses and estimates which can be declassified. Another is more forthright response to inquiries from the media. A third is a more open and active dialogue with American academic specialists, including active cooperation

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in drafting guidelines for academic-intelligence relationships with a number of universities; invitations to university presidents to visit with us and exchange views; speaking engagements on more than a dozen American campuses; and increased participation in symposia, conferences and other academic meetings, including the presentation of professional papers by our personnel.

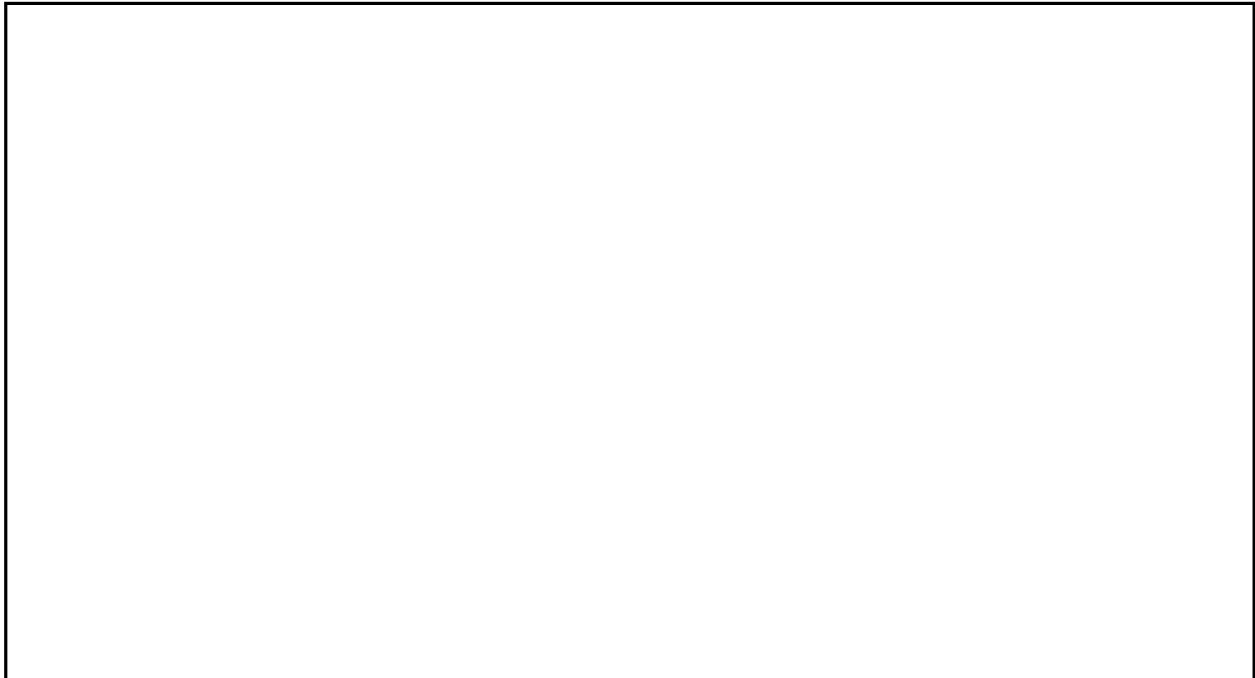
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We have also worked to strengthen the traditionally good relationship of intelligence with the American business community. In particular, we have sought out ways in which to determine which publications of ours if declassified would be of greatest interest and value to the American business community.

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SUCSESSES AND DISAPPOINTMENTS IN 1978

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Teamwork

The provisions of the new Executive Order have effectively fostered a greater sense of Community outlook. With it we have endeavored to build a heightened sense of, and opportunity for,

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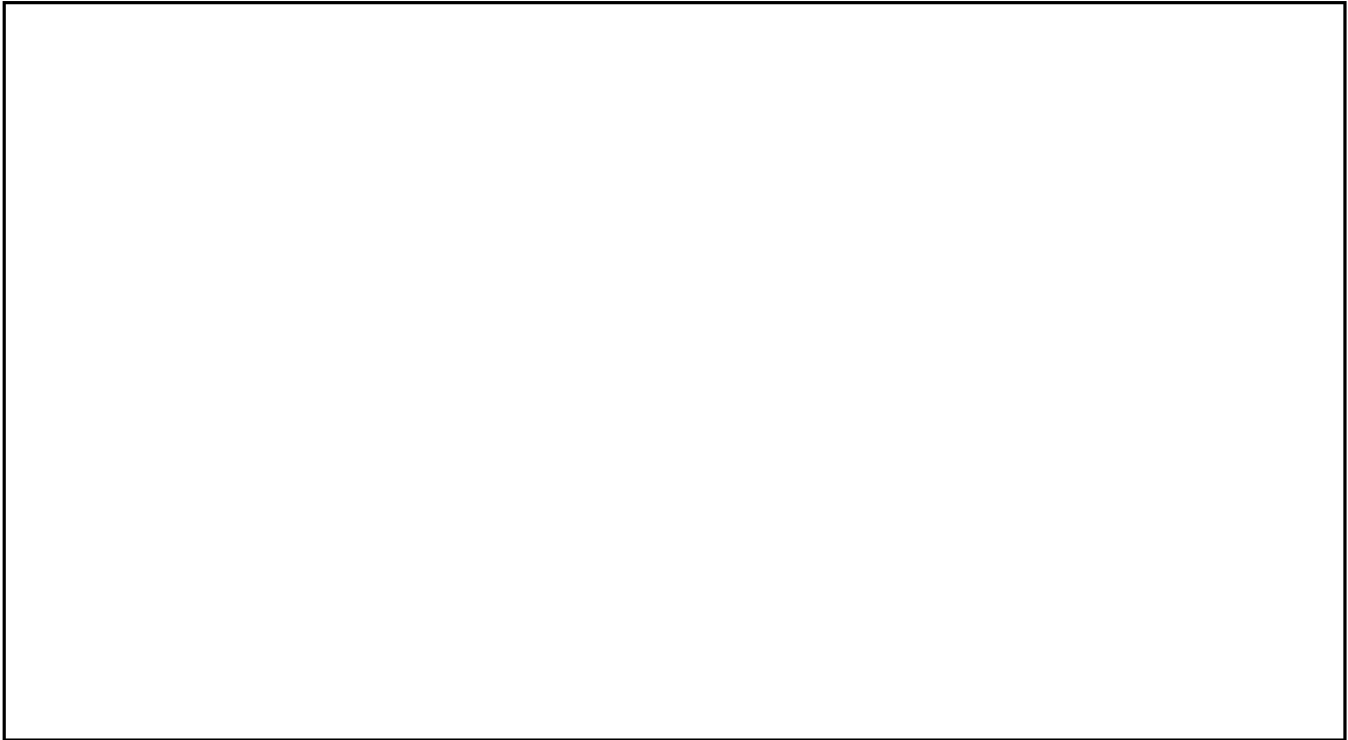
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Community teamwork. We have a weekly conference phone call of all program managers and a monthly breakfast with them, and have had a weekend retreat for discussion of Community matters.



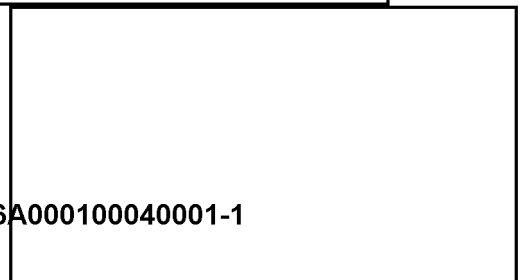
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